

Common Closing Costs

The lender must disclose a good faith estimate of all settlement costs. A check to cover your closing costs will probably have to be a cashier's check. The title company or other entity conducting the closing will tell you the required amount for:

- Loan origination fees.
- Points, or loan property taxes.
- Appraisal fee.
- Credit report.
- Private mortgage insurance premium.
- Escrow for homeowners insurance & property taxes, if being paid as part of the mortgage. Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then pay the insurance and/or taxes for you.
- Deed recording fees.
- Title insurance policy premiums.
- Inspection fees—building inspection, termites, etc.
- Notary fees.
- Prorations for your share of costs such as utility bills and property taxes.

A Note About Prorations. Because such costs are usually paid on either a monthly or yearly basis, you might have to pay a bill for services used by the sellers before they moved. Proration is a way for the sellers to pay you back or for you to pay them for bills they may have paid in advance. For example, the gas company usually sends a bill each month for the gas used during the previous month. But assume you buy the home on the 6th of the month. You would owe the gas company for only the days from the 6th to the end for the month. The seller would owe for the first 5 days. The bill would be prorated for the number of days in the month, and then each person would be responsible for the days of his or her ownership.

What to Keep From Your Closing

- The Settlement statement. This form, sometimes called a HUD 1 statement, itemizes all the costs associated with the closing. You'll need for income tax purposes and when you sell the home.
- The Truth in Lending Statement summarizes the terms of your mortgage loan.
- The mortgage and the note (two pieces of paper) spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.
- The deed transfers ownership of the property to you.
- Affidavits swearing to various statements by either party. For example, the sellers will often sign an affidavit stating that they have not incurred any liens on the property.
- Riders are amendments to the sales contract that affect your rights. For example, if you buy a condominium, you may have a rider outline the condo association's rules and restrictions.
- Insurance policies provide a record and proof of your coverage.

Mark Zwick, Bringing home results to the Greater Philadelphia area. 215-627-2848
mark@markzwick.com